

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 3

AMENDED REPORT ☐
(highlight changes)

001

APPLICATION FOR PERMIT TO DRILL

1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>		5. MINERAL LEASE NO: ML 47038	6. SURFACE: State
8. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
2. NAME OF OPERATOR: Robert L. Bayless, Producer LLC		8. UNIT or CA AGREEMENT NAME:	
3. ADDRESS OF OPERATOR: PO Box 168 CITY Farmington STATE NM ZIP 87499		9. WELL NAME and NUMBER: Buttermilk State #/	
PHONE NUMBER: (505) 326-2659		10. FIELD AND POOL, OR WILDCAT: Horseshoe Bend <i>undesignated</i>	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 897' FSL & 970' FWL <i>636519X 40.252497</i> AT PROPOSED PRODUCING ZONE: Same as above <i>4454808Y -109.394807</i>		11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSW 36 6S 22E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 9 miles SSW of Jensen, UT		12. COUNTY: Uintah	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 897'	16. NUMBER OF ACRES IN LEASE: 640	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 320	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) NA	19. PROPOSED DEPTH: 3,335	20. BOND DESCRIPTION: #141769447	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 5133' GR	22. APPROXIMATE DATE WORK WILL START: 4/1/2005	23. ESTIMATED DURATION: 21 days	

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT	SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT
12 1/4"	8 5/8" J-55 24#	250	Class G 190 sx 1.17 cf/sx 15.8 ppg
7 7/8"	4 1/2" J-55 10.5#	3,335	Premium Lite II 122 sx 3.43 cf/sx 11.0 ppg
			Poz G 507 sx 1.24 cf/sx 14.4 ppg

RECEIVED

OCT 22 2004

ATTACHMENTS

VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:

DIV. OF OIL, GAS & MINING

- ☒ WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER
☒ EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER

- ☒ COMPLETE DRILLING PLAN
☐ FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) Tom McCarthy

TITLE Engineer

SIGNATURE *[Signature]*

DATE 10/20/04

(This space for State use only)

API NUMBER ASSIGNED: 43-047-36021

APPROVAL:

**APPROVED BY THE STATE
OF UTAH DIVISION OF
OIL, GAS, AND MINING**
DATE: 2/18/2005
BY: *[Signature]*

T6S, R22E, S.L.B.&M.

R
22
E

R
23
E

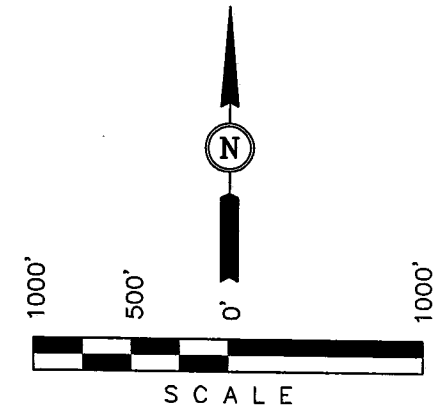
S87°28'W - 5376.36' (G.L.O.)

ROBERT L. BAYLESS PRODUCER, LLC

Well location, BUTTERMILK STATE NO. 1; located as shown in the SW 1/4 SW 1/4 of Section 36, T6S, R22E, S.L.B.&M. Uintah County, Utah.

BASIS OF ELEVATION

BENCH MARK C-27 LOCATED IN THE NE 1/4 OF SECTION 11, T7S, R22E, S.L.B.&M. TAKEN FROM THE RED WASH NW, QUADRANGLE, UTAH, UTAH COUNTY, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 5275 FEET.



CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

REGISTERED LAND SURVEYOR
REGISTRATION NO. 161319
STATE OF UTAH

N00°21'W - 2557.50' (G.L.O.)

N00°20'11"W - 2555.60' (Meas.)

36

BUTTERMILK STATE NO. 1
Elev. Ungraded Ground = 5133'

970'

897'

1941 Brass Cap,
0.4' High

T6S

T7S

S88°56'34"W - 2687.53' (Meas.)
1941 Brass Cap,
0.2' High, Pile of
Stones, Fenceline

S88°57'W - 2686.20' (G.L.O.)

N00°16'W -
1393.26' (G.L.O.)

N00°48'W -
1269.18' (G.L.O.)

N00°03'W -
1314.06' (G.L.O.)

N00°24'W -
1277.10' (G.L.O.)

BASIS OF BEARINGS

BASIS OF BEARINGS IS A G.P.S. OBSERVATION.

(AUTONOMOUS NAD 83)

LATITUDE = 40°15'08.96" (40.252489)

LONGITUDE = 109°23'44.08" (109.395578)

(AUTONOMOUS NAD 27)

LATITUDE = 40°15'09.09" (40.252525)

LONGITUDE = 109°23'41.61" (109.394892)

LEGEND:

└─┘ = 90° SYMBOL

● = PROPOSED WELL HEAD.

▲ = SECTION CORNERS LOCATED.

UINTAH ENGINEERING & LAND SURVEYING

85 SOUTH 200 EAST - VERNAL, UTAH 84078

(435) 789-1017

SCALE 1" = 1000'	DATE SURVEYED: 9-23-04	DATE DRAWN: 10-6-04
PARTY J.W. J.S. K.G.	REFERENCES G.L.O. PLAT	
WEATHER WARM	FILE	ROBERT L. BAYLESS PRODUCER, LLC

**Robert L. Bayless, Producer LLC
Drilling Technical Program
Buttermilk State #1**

SURFACE LOCATION:

897' FSL & 970' FWL, Section 36, T6S, R22E, Uintah County, Utah

1. ESTIMATED FORMATION TOPS:

GL: 5133'	KB: 5145'	
Uinta	Surface	Gas
Uinta B	2860'	Gas
Green River	3235'	
TD	3335'	

2. WELL CONTROL SYSTEM

- A. The proposed blowout system schematic drawings are attached, and will be used in 2000 PSI service.
- B. Maximum anticipated bottom hole pressure 1100 PSI. Well control anticipated surface pressure (ASP) = 0 PSI.
- C. BOP pressure testing will be conducted at the time of installation and prior to drilling out surface casing shoe. A choke manifold will be installed as per attached drawing. Working pressure for the choke manifold is 2000 PSI. In addition, a kill line from the mud pump will be installed.
- D. Stabbing valves for drill pipe and drill collars will be available on the rig floor. An upper kelly cock will also be available on the rig.
- E. Anticipated formation pressures average .39 psi/ft gradient and formation fracture pressures are anticipated to exceed the maximum mud weight of 9.5 pounds per gallon.

3. DRILLING MUD PROGRAM

- A. A 12 1/4" surface hole will be drilled to 250' with a fresh water system.
- B. A 7 7/8" hole will be drilled to 3335' utilizing a fresh water mud system.

Interval	Mud System	Weight PPG	Viscosity sec/qt	WL cc
0 – 250 ft	Spud mud	<8.5	28 – 26	NC
250 – TD	Aquagel	8.6 – 8.9	34 – 40	<10

C. Mud level monitoring will be done visually.

4. HAZARDS

- A. Abnormal pressure is not expected in this area.
- B. No hydrogen sulfide is expected. However, should hydrogen sulfide be encountered during drilling, detection and warning systems will be installed.
- C. Hole deviation is not an expected problem in this area.

5. LOGGING AND TESTING

- A. Induction and density logs will be run from total depth across all zones of interest up to the surface casing string.

6. CASING PROGRAM

- A. Surface casing: 8 5/8" 24 #/ft J-55 from surface to 250 feet
- B. Production casing: 4 1/2" 10.5 #/ft J-55 from surface to 3335 feet.

7. CEMENTING PROGRAM

- A. Surface casing: 190 sx (222 cf) Class G w/ 2% CaCl. Circulated to surface.
- B. Production Casing: 122 sx (418 cf) Premium Lite II cement, followed by 507 sx (629 cf) 50:50 Poz G cement. Cement to be circulated to surface. Volume may change due to caliper log or other well conditions. The casing will be centralized for cementing as required and depending on well conditions.

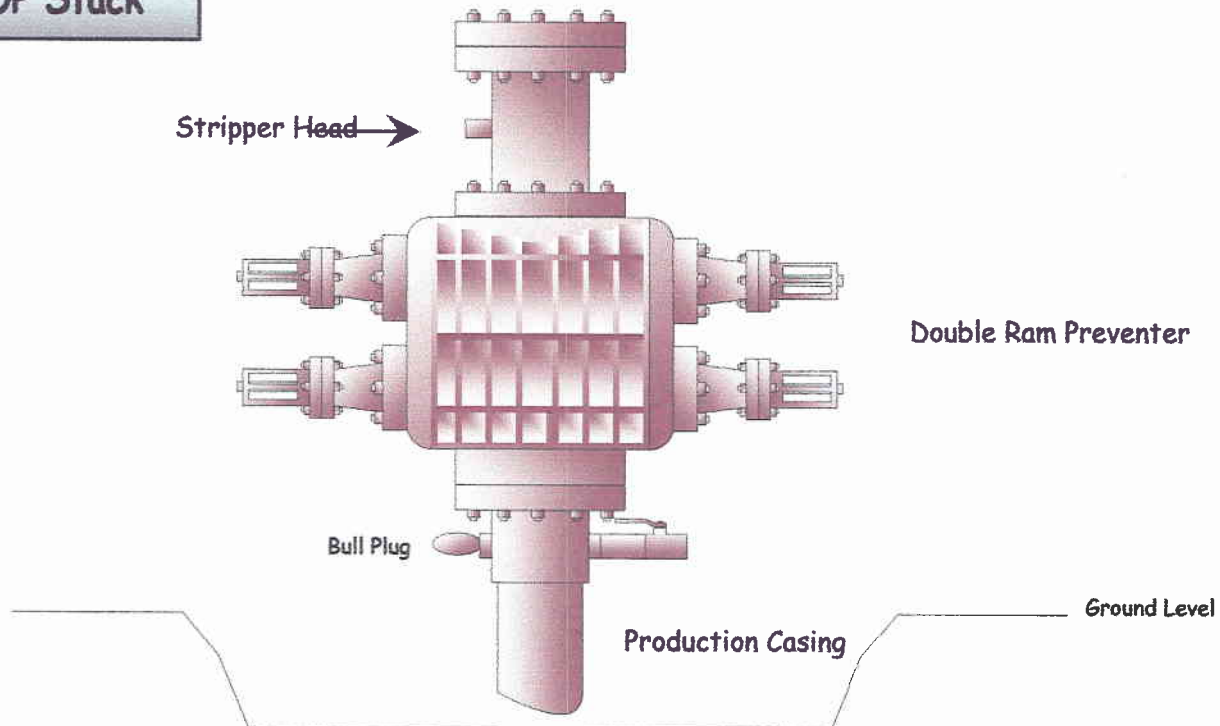
Robert L. Bayless, Producer LLC
Well Control Equipment Schematic for 2M Service

Attachment to Drilling Technical Program

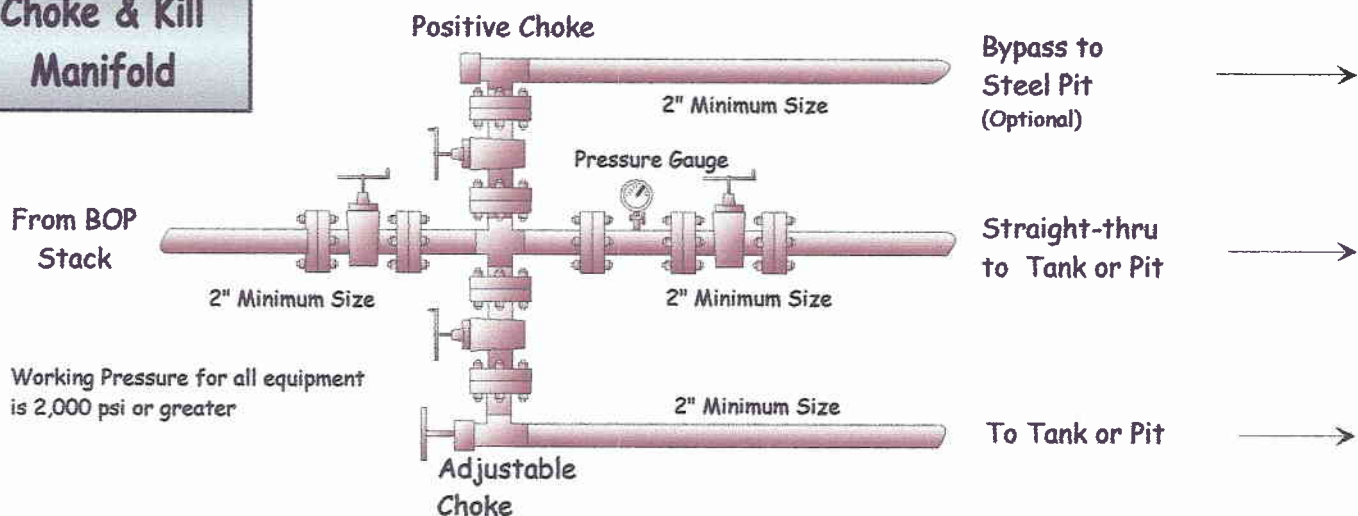
Buttermilk State No. 1

Location: SWSW
Sec 36, T6S, R22E
Uintah County, Utah

BOP Stack



**Choke & Kill
Manifold**



Robert L. Bayless, Producer LLC

SURFACE USE & OPERATIONS PLAN

Buttermilk State No. 1
897' FSL & 970' FWL (SWSW)
Section 36, T6S, R22E
Uintah County, Utah

1. EXISTING ROADS

- A. The actual well site survey is attached as pages 2, through 8, which were prepared by the surveyor, and show existing roads.
- B. Directions from Vernal, Utah: Go south on Highway 45 18.7 miles. Turn left and go 2.1 miles. Turn left and go .3 miles into location.
- C. All roads to location are indicated on the attached topographic map. (Page 7 of the APD.)
- D. Maintenance will be performed as required to keep existing roads in same or better condition.

2. PLANNED ACCESS ROADS

About .3 mile of new road will be built to access the location. (Page 7 of the APD.)

3. LOCATION AND TYPE OF WATER SOURCE

Water will be transported by truck over existing and proposed roadways. No water well is to be drilled on this location. Water for drilling and completion will be purchased from R. N. Industries in Vernal. Water well permit # 49-2166.

4. LESSEE'S OR OPERATOR'S REPRESENTATIVE

Tom McCarthy, Engineer
Robert L. Bayless, Producer LLC
PO Box 168
Farmington, NM 87499
Telephone: 505-326-2659
Fax: 505-326-6911

5. BONDING

CNA Insurance Company Bond #141269447 in favor of the Utah Department of Natural Resources, Division of Oil, Gas, and Mining.

011

CNA INSURANCE COMPANIES

CNA Plaza, Chicago, IL 60685

INCREASE — DECREASE RIDER

To be attached to and made a part of Bond No. 141769447, issued by the Continental Casualty Company, (hereinafter called the Surety), on behalf of R.L. Bayless, (hereinafter called the Principal), in favor of Utah Dept. of Natural Res. Div. of Oil, Gas, & Mining (hereinafter called the Oblige), and dated the 25th day of January, ~~2004~~

In consideration of the premium charged for the attached bond and other good and valuable consideration it is understood and agreed that effective the 25th day of January, ~~2004~~, and subject to all the terms, conditions and limitations of the attached bond, the penal sum thereof shall be and the same is hereby (increased) (decreased) from the sum of Eighty Thousand and no----- Dollars, (\$ 80,000.), to the sum of One Hundred Twenty Thousand --- Dollars, (\$ 120,000.).

It is further understood and agreed that subject to all the terms, conditions and limitations of the attached bond, the aggregate liability of the Surety for any loss occurring prior to said date shall not exceed the sum of Eighty Thousand ----- Dollars, (\$ 80,000. ---), or for any loss occurring subsequent to said date shall not exceed the sum of One Hundred Twenty Thousand ----- Dollars, (\$ 120,000. ---). In no event, however, shall the aggregate liability of the Surety exceed the larger of the aforementioned sums, it being the intent hereof to preclude cumulative liability.

Signed, sealed and dated this 25th day of January, ~~2004~~

The above is hereby agreed to and accepted:

(Principal)

By: Continental Casualty Company

(Surety)

By: Gary Thompson

(Attorney-in-Fact)

Form G-23169-C

CNA

For All the Commitments You Make

POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT

Know All Men By These Presents, That Continental Casualty Company, National Fire Insurance Company of Hartford, and American Casualty Company of Reading, Pennsylvania (herein called "the CNA Companies"), are duly organized and existing corporations having their principal offices in the City of Chicago, and State of Illinois, and that they do by virtue of the signatures and seals herein affixed hereby make, constitute and appoint

Jeffrey W. Holmes, Carol A. Osborne, Stuart F. DeSelms, Janet Jenkins, Diane Kern, Judith M. Cromer, William A. Grant,
Christy Thompson, Individually

of Tulsa, Oklahoma
 their true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on their behalf bonds, undertakings and other obligatory instruments of similar nature
 — In Unlimited Amounts —

and to bind them thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of their corporations and all the acts of said Attorney, pursuant to the authority hereby given is hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Law and Resolutions, printed on the reverse hereof, duly adopted, as indicated, by the Boards of Directors of the corporations.

In Witness Whereof, the CNA Companies have caused these presents to be signed by their Vice President and their corporate seals to be hereto affixed on this 3rd day of April, 2001.



Continental Casualty Company
 National Fire Insurance Company of Hartford
 American Casualty Company of Reading, Pennsylvania

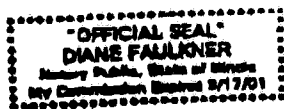
Michael Gengler

Michael Gengler

Group Vice President

State of Illinois, County of Cook, ss:

On this 3rd day of April, 2001, before me personally came Michael Gengler to me known, who, being by me duly sworn, did depose and say: that he resides in the City of Chicago, State of Illinois; that he is a Group Vice President of Continental Casualty Company, National Fire Insurance Company of Hartford, and American Casualty Company of Reading, Pennsylvania described in and which executed the above instrument; that he knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed pursuant to authority given by the Boards of Directors of said corporations and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporations.



My Commission Expires September 17, 2001

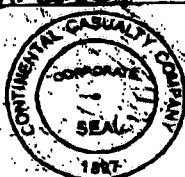
Diane Faulkner

Diane Faulkner

Notary Public

CERTIFICATE

I, Mary A. Ribikawski, Assistant Secretary of Continental Casualty Company, National Fire Insurance Company of Hartford, and American Casualty Company of Reading, Pennsylvania do hereby certify that the Power of Attorney herein above set forth is still in force, and further certify that the By-Law and Resolution of the Board of Directors of the corporations printed on the reverse hereof is still in force. In testimony whereof I have herunto subscribed my name and affixed the seal of the said corporations this 25th day of JANUARY, 2004.



Continental Casualty Company
 National Fire Insurance Company of Hartford
 American Casualty Company of Reading, Pennsylvania

Mary A. Ribikawski

Mary A. Ribikawski

Assistant Secretary

(Rev. 1/23/01)

Authorizing By-Laws and Resolutions

ADOPTED BY THE BOARD OF DIRECTORS OF CONTINENTAL CASUALTY COMPANY:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

"Article IX—Execution of Documents"

Section 3. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President or the Board of Directors, may, at any time, revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 3 of Article IX of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

"Article VI—Execution of Obligations and Appointment of Attorney-in-Fact"

Section 2. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The President or any Executive, Senior or Group Vice President may at any time revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 2 of Article VI of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF NATIONAL FIRE INSURANCE COMPANY OF HARTFORD:

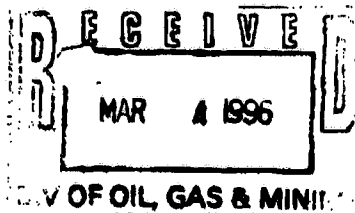
This Power of Attorney is made and executed pursuant to and by authority of the following Resolution duly adopted on February 17, 1993 by the Board of Directors of the Company.

"RESOLVED: That the President, an Executive Vice President, or any Senior or Group Vice President of the Corporation may, from time to time, appoint, by written certificates, Attorneys-in-Fact to act in behalf of the Corporation in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such Attorney-in-Fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Corporation by their signature and execution of any such instrument and to attach the seal of the Corporation thereto. The President, an Executive Vice President, any Senior or Group Vice President or the Board of Directors may at any time revoke all power and authority previously given to any Attorney-in-Fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"RESOLVED: That the signature of the President, an Executive Vice President or any Senior or Group Vice President and the seal of the Corporation may be affixed by facsimile on any power of attorney granted pursuant to the Resolution adopted by this Board of Directors on February 17, 1993 and the signature of a Secretary or an Assistant Secretary and the seal of the Corporation may be affixed by facsimile to any certificate of any such power, and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Corporation. Any such power so executed and sealed and certified by certificate so executed and sealed, shall with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Corporation."

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**CNA SURETY COMPANIES**

CNA Plaza, Chicago, Illinois 60685

Kansas City Fire and Marine Insurance Company Bond No. **BNS 1273488**
Continental Casualty Company Bond No. **141769447**

ASSUMPTION OF LIABILITY CERTIFICATE

Obligee: Utah Division of Oil & Gas Mining

Principal: Robert L. Bayless

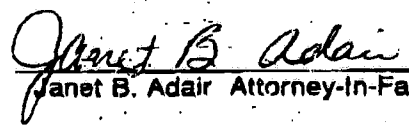
This certificate assumes liability on Bond Number **BNS 1273488** executed and previously filed by **Kansas City Fire and Marine**, hereinafter referred to as the Company, in favor of the captioned Obligee, effective **03-18-96 to 03-18-97**.

This certifies that **Continental Casualty Company**, in consideration of the agreements and covenants herein contained and other good and valuable consideration, assumes liability under the above described bond.

BY ISSUANCE OF THIS CERTIFICATE IT IS AGREED:

1. That liability of **Continental Casualty Company** under said bond (a) shall be subject to all of the terms, conditions, limitations and warranties contained in the above described bond and any amendment thereto or agreement between the Obligee and the Company affecting the same; and (b) shall in no event be greater than would have been the liability of the Company had this certificate not been issued.
2. That all rights of the Company, which would have been available to the Company, by reason of its suretyship under the aforementioned bond, or otherwise, if this certificate had not been executed, shall inure to the benefit of and be fully enforceable by **Continental Casualty Company**.
3. That this certificate assumes liability under **Continental Casualty Company** Bond No. **141769447** for liability accrued under **Kansas City Fire and Marine** Bond No. **BNS 1273488**

Continental Casualty Company

BY: 
Janet B. Adair Attorney-In-Fact



For All the Commitments You Make®

POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT

Know All Men By These Presents, That CONTINENTAL CASUALTY COMPANY, an Illinois corporation, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, a Connecticut corporation, AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA, a Pennsylvania corporation (herein collectively called "the CNA Surety Companies"), are duly organized and existing corporations having their principal offices in the City of Chicago, and State of Illinois, and that they do by virtue of the signature and seals herein affixed hereby make, constitute and appoint Janet B. Adair, individually

of Oklahoma City, Oklahoma

their true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on their behalf bonds, undertakings and other obligatory instruments of similar nature

- In Unlimited Amounts -

and to bind them thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of their corporations and all the acts of said Attorney, pursuant to the authority hereby given are hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Laws and Resolutions, printed on the reverse hereof, duly adopted, as indicated, by the Boards of Directors of the corporations.

In Witness Whereof, the CNA Sureties Companies have caused these presents to be signed by their Group Vice President and their corporate seals to be hereto affixed on this 1st day of September, 1995.



CONTINENTAL CASUALTY COMPANY
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

M.C. Vonnahme

Group Vice President

State of Illinois, County of Cook, ss:

On this 1st day of September, 1995, before me personally came

M. C. Vonnahme, to me known, who, being by me duly sworn, did depose and say: that he resides in the Village of Darien, State of Illinois; that he is a Group Vice President of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA described in and which executed the above instrument; that he knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed pursuant to authority given by the Boards of Directors of said corporations and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporations.



My Commission Expires October 19, 1998

Linda C. Dempsey

Notary Public

CERTIFICATE

I, John M. Litter, Assistant Secretary of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA do hereby certify that the Power of Attorney herein above set forth is still in force, and further certify that the By-Law and Resolution of the Board of Directors of each corporation printed on the reverse hereof are still in force. In testimony whereof I have hereunto subscribed my name and affixed the seals of the said corporations this 28th day of February, 1996.



CONTINENTAL CASUALTY COMPANY
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

John M. Litter

Assistant Secretary

(Rev. 7/14/95)

Authorizing By-Laws and Resolutions

ADOPTED BY THE BOARD OF DIRECTORS OF CONTINENTAL CASUALTY COMPANY:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

Article IX—Execution of Documents

Section 3. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President or the Board of Directors, may, at any time, revoke all power and authority previously given to any attorney-in-fact.

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 3 of Article IX of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

Article VI—Execution of Obligations and Appointment of Attorney-in-Fact

Section 2. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The President or any Executive, Senior or Group Vice President may at any time revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 2 of Article VI of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF NATIONAL FIRE INSURANCE COMPANY OF HARTFORD:

This Power of Attorney is made and executed pursuant to and by authority of the following Resolution duly adopted on February 17, 1993 by the Board of Directors of the Company.

"RESOLVED: That the President, an Executive Vice President, or any Senior or Group Vice President of the Corporation may, from time to time, appoint, by written certificates, Attorneys-in-Fact to act in behalf of the Corporation in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such Attorney-in-Fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Corporation by their signature and execution of any such instrument and to attach the seal of the Corporation thereto. The President, an Executive Vice President, any Senior or Group Vice President or the Board of Directors may at any time revoke all power and authority previously given to any Attorney-in-Fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"RESOLVED: That the signature of the President, an Executive Vice President or any Senior or Group Vice President and the seal of the Corporation may be affixed by facsimile on any power of attorney granted pursuant to the Resolution adopted by this Board of Directors on February 17, 1993 and the signature of a Secretary or an Assistant Secretary and the seal of the Corporation may be affixed by facsimile to any certificate of any such power, and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Corporation. Any such power so executed and sealed and certified by certificate so executed and sealed, shall with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Corporation."

STATE OF UTAH **001**
DIVISION OF OIL, GAS AND MINING

MAR 22 1991

Bond No. BNS1273488

MICROFICHE

SURETY BOND - FORM 4-A

KNOW ALL MEN BY THESE PRESENTS:

That we Robert L. Bayless (operator name) as Principal,
and Kansas City Fire and Marine Insurance Company (surety name) as Surety,
duly authorized and qualified to do business in the State of Utah, are held and firmly bound unto the State
of Utah in the sum of:

Eighty Thousand and No/100 ----- dollars (\$80,000.00-----)
lawful money of the United States, payable to the Director of the Division of Oil, Gas and Mining, as agent
of the State of Utah, for the use and benefit of the State of Utah for the faithful payment of which we bind
ourselves, our heirs, executors, administrators and successors, jointly and severally by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH THAT, WHEREAS, the principal is or will be engaged in drilling,
redrilling, deepening, repairing, operating, and plugging and abandonment a well or wells and restoring the
well site or sites in the State of Utah for the purposes of oil or gas production and/or the injection and
disposal of fluids in connection therewith for the following described land or well:

XX Blanket Bond: To cover all wells drilled in the State of Utah
____ Individual Bond: Well No. _____
Section _____ Township _____ Range _____
_____ County, Utah

NOW, THEREFORE, if the above bounden principal shall comply with all the provisions of the laws of the State
of Utah and the rules, orders and requirements of the Board of Oil, Gas and Mining of the State of Utah,
including, but not limited to the proper plugging and abandonment of wells and well site restoration, then
this obligation is void; otherwise, the same shall be and remain in full force and effect.

IN TESTIMONY WHEREOF, said Principal has hereunto subscribed his or their names or has caused this
instrument to be signed by its duly authorized officers and its corporate seal to be affixed this

18th day of March, 19 91.

(Seal)

Robert L. Bayless

Principal

By

Name and Title

IN TESTIMONY WHEREOF, said Surety has caused this instrument to be signed by its duly authorized officers and
its corporate seal to be affixed this 18th day of March, 19 91.

(Seal)

KANSAS CITY FIRE AND MARINE INSURANCE COMPANY

Surety (Attach Power of Attorney)

By

Name and Title Attorney-in-Fact

P.O. Box 35287, Tulsa, OK 74153
Surety's Mailing Address

(3/89)

Kansas City Fire and Marine Insurance Company

180 Maiden Lane, New York, New York 10038

GENERAL POWER OF ATTORNEY

Know all men by these Presents, That KANSAS CITY FIRE AND MARINE INSURANCE COMPANY has made, constituted and appointed, and by these presents does make, constitute and appoint

BURT B. HOLMES, TULSA, OKLAHOMA

its true and lawful attorney, for it and in its name, place, and stead to execute on behalf of the said Company, as surety, bonds, undertakings and contracts of suretyship to be given to

ALL OBLIGEEES

provided that no bond or undertaking or contract of suretyship executed under this authority shall exceed in amount the sum of

FIVE HUNDRED THOUSAND (500,000) DOLLARS

This Power of Attorney is granted and is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of KANSAS CITY FIRE AND MARINE INSURANCE COMPANY on the 26th day of February, 1975:

"RESOLVED, that the Chairman of the Board, the Vice Chairman of the Board, the President, an Executive Vice President or a Senior Vice President or a Vice President of the Company, be, and that each or any of them hereby is, authorized to execute Powers of Attorney qualifying the attorney named in the given Power of Attorney to execute in behalf of KANSAS CITY FIRE AND MARINE INSURANCE COMPANY, bonds, undertakings and all contracts of suretyship; and that an Assistant Vice President, a Secretary or an Assistant Secretary be, and that each or any of them hereby is, authorized to attest the execution of any such Power of Attorney, and to attach thereto the seal of the Company.

FURTHER RESOLVED, that the signatures of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed and in the future with respect to any bond, undertaking or contract of suretyship to which it is attached."

In Witness Whereof, KANSAS CITY FIRE AND MARINE INSURANCE COMPANY has caused its official seal to be hereunto affixed, and these presents to be signed by one of its Vice Presidents and attested by one of its Assistant Vice Presidents this 1st day of May, 1985.

KANSAS CITY FIRE AND MARINE INSURANCE COMPANY

Attest:

Robert W. Adler, Sr., Assistant Vice President



By

Michael J. Beernaert, Vice President

STATE OF NEW YORK

COUNTY OF NEW YORK

On this 1st day of May, 1985, before me personally came Michael J. Beernaert, to me known, who being by me duly sworn, did depose and say that he is a Vice President of the KANSAS CITY FIRE AND MARINE INSURANCE COMPANY, the corporation described in and which executed the above instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.



CERTIFICATE

ETHEL TARANTO
NOTARY PUBLIC, State of New York
No. 24-4663117 Qual. in Kings County
Commission Expires March 30, 1986

I, the undersigned, an Assistant Vice President of KANSAS CITY FIRE AND MARINE INSURANCE COMPANY, a Missouri corporation, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney remains in full force and has not been revoked; and furthermore that the Resolution of the Board of Directors, set forth in the said Power of Attorney, is now in force.

Signed and sealed at the City of New York, in the State of New York. Dated the 18th day of March, 1991.



James M. Keane, Assistant Vice President

64 BOND 4315K

Printed in U.S.A.

P. 09/09

FAX NO. 801 359 3940

OCT-20-2004 WED 09:44 AM OIL, GAS & MINING

ROBERT L. BAYLESS PRODUCER, LLC.
BUTTERMILK STATE NO.1

LOCATED IN UINTAH COUNTY, UTAH
SECTION 36, T6S, R22E, S.L.B.&M.

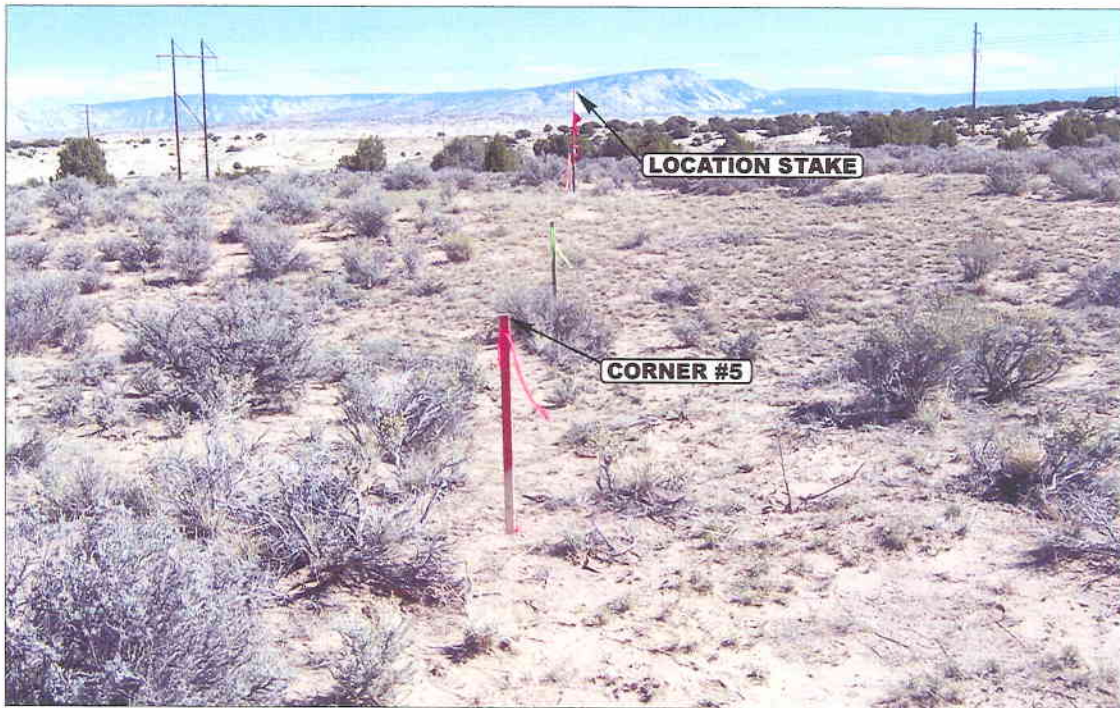


PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: NORTHEASTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: WESTERLY



- Since 1964 -

U **E** **L** **S** Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
435-789-1017 uels@uelsinc.com

LOCATION PHOTOS

09 **28** **04**
MONTH DAY YEAR

PHOTO

TAKEN BY: J.W.

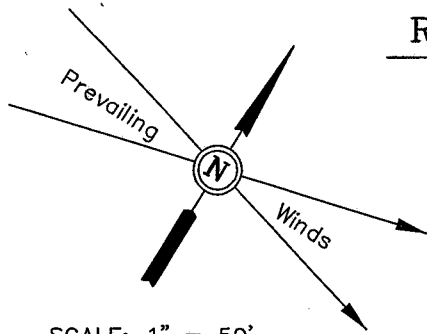
DRAWN BY: C.P.

REVISED: 00-00-00

ROBERT L. BAYLESS PRODUCE, LLC

FIGURE #1

LOCATION LAYOUT FOR BUTTERMILK STATE NO. 1 SECTION 36, T6S, R22E, S.L.B.&M. 897' FSL 970' FWL



SCALE: 1" = 50'
DATE: 10-6-04
Drawn By: K.G.

Approx.
Toe of
Fill Slope

F-10.4'
El. 20.6'

Sta. 3+50

F-6.6'
El. 24.4'

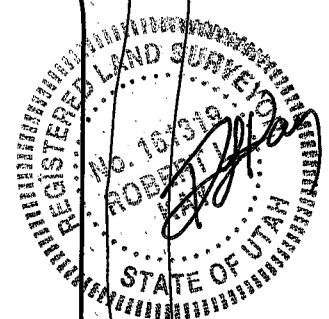
F-2.1'
El. 28.9'

Round Corners
as Needed

Approx.
Top of
Cut Slope

NOTE:

Flare Pit is to be located
a min. of 100' from the
Well Head.



PIPE TUBS

PIPE RACKS

CATWALK

C-1.2'
El. 32.2'

C-2.4'
El. 33.4'

F-3.2'
El. 27.8'

Sta. 1+50

C-1.7'
El. 32.7'

Bloole Line

El. 33.0'
C-14.0'
(btm. pit)

Reserve Pit Backfill
& Spoils Stockpile

15' WIDE BENCH

RESERVE PITS
(10' Deep)
Total Pit Capacity
W/2 of Freeboard
= 9,110 Bbls. ±
Total Pit Volume
= 2,570 Cu. Yds.

SLOPE 1 1/2 : 1

Sta. 0+25

El. 36.5'
C-15.5'
(btm. pit)

15' WIDE BENCH

C-4.8'
El. 35.8'

C-5.2'
El. 36.2'

Proposed Access
Road

Sta. 0+00

C-3.5'
El. 34.5'

TOILET
TRAILER
WATER TANK

LIGHT PLANT
BOILER

PUMP HOUSE

TRASH

PROPANE STORAGE

MUD TANKS

MUD TANKS

RIG

DOG HOUSE

NOTES:

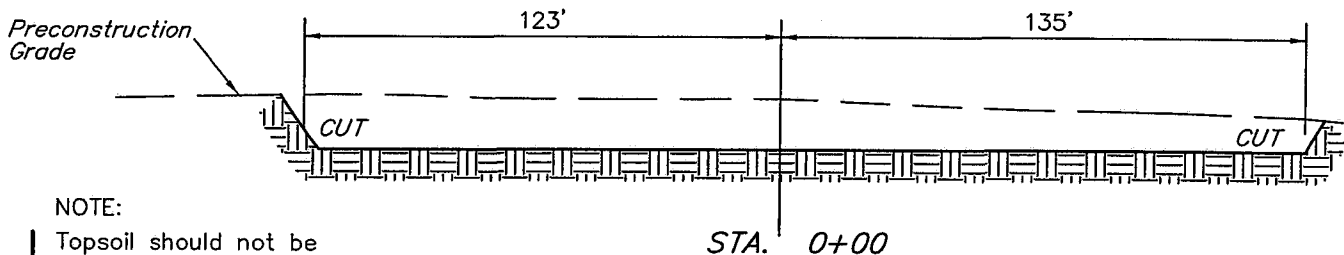
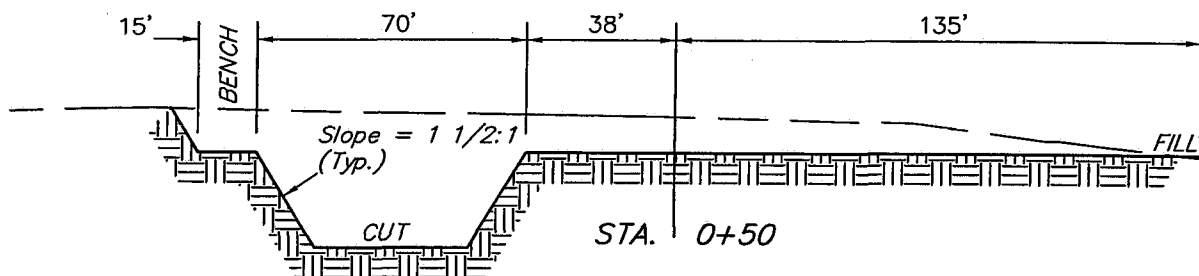
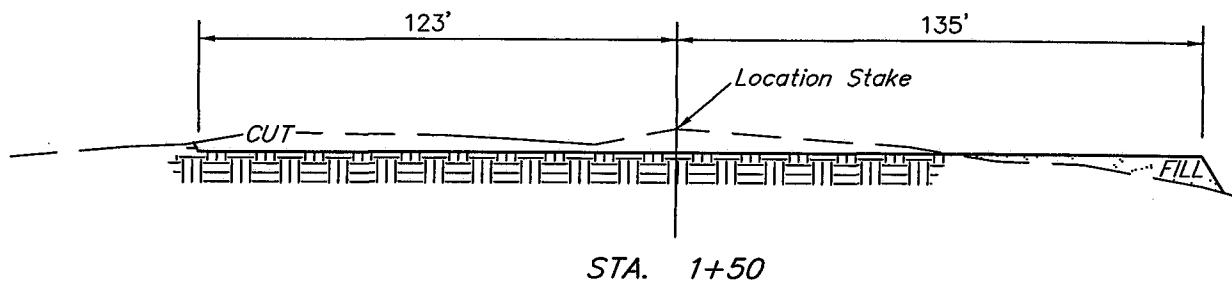
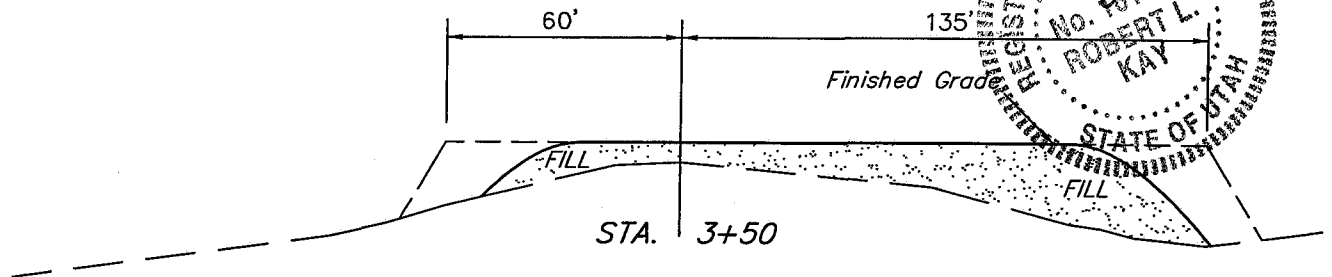
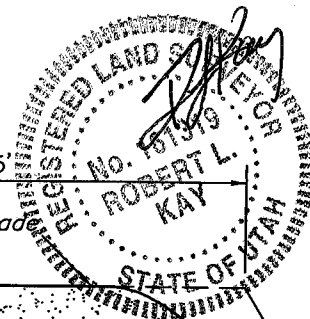
Elev. Ungraded Ground At Loc. Stake = 5133.4'
FINISHED GRADE ELEV. AT LOC. STAKE = 5131.0'

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017

1" = 20'
X-Section
Scale
1" = 50'

DATE: 10-6-04
Drawn By: K.G.

TYPICAL CROSS SECTIONS FOR
BUTTERMILK STATE NO. 1
SECTION 36, T6S, R22E, S.L.B.&M.
897' FSL 970' FWL



NOTE:

Topsoil should not be Stripped Below Finished Grade on Substructure Area.

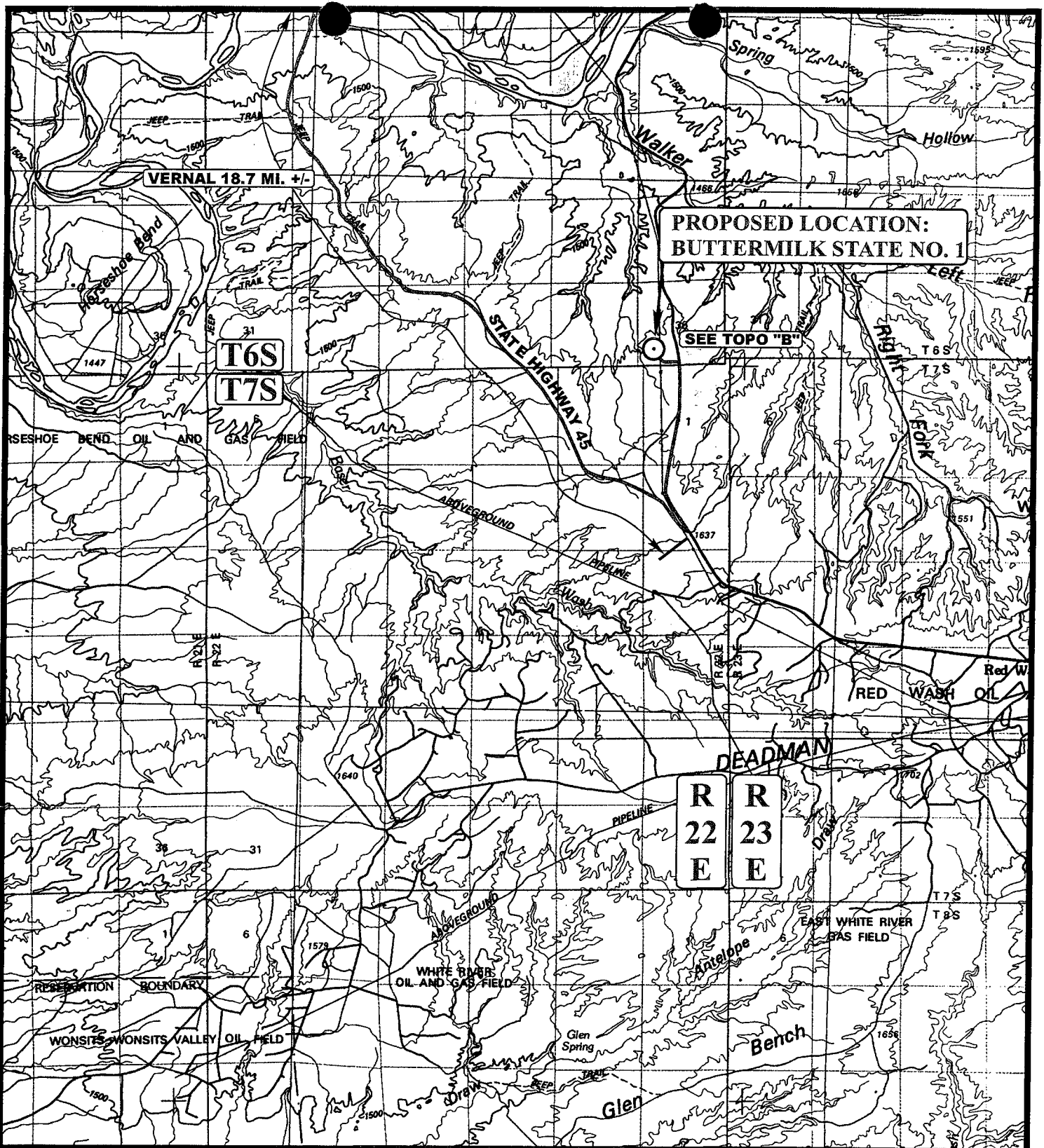
APPROXIMATE YARDAGES

CUT
(6") Topsoil Stripping = 1,630 Cu. Yds.
Remaining Location = 6,230 Cu. Yds.
TOTAL CUT = 7,860 CU.YDS.
FILL = 4,940 CU.YDS.

* NOTE:

FILL QUANTITY INCLUDES 5% FOR COMPACTION

EXCESS MATERIAL = 2,920 Cu. Yds.
Topsoil & Pit Backfill = 2,920 Cu. Yds.
(1/2 Pit Vol.)
EXCESS UNBALANCE = 0 Cu. Yds.
(After Rehabilitation)



LEGEND:

○ PROPOSED LOCATION

ROBERT L. BAYLESS PRODUCER, LLC.

BUTTERMILK STATE NO. 1
SECTION 36, T6S, R22E, S.L.B.&M.
897' FSL 970' FWL



Utah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

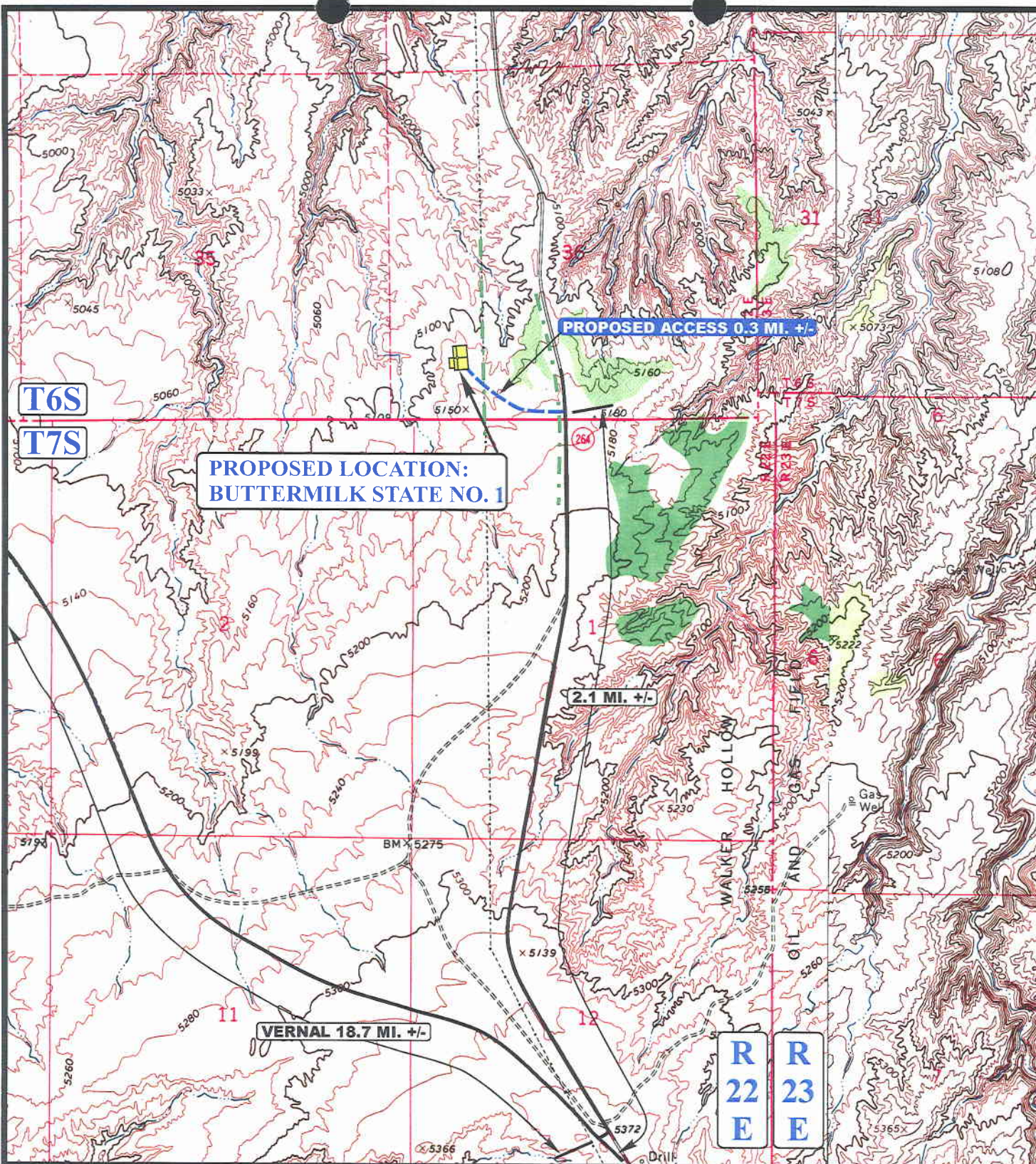


TOPOGRAPHIC
MAP

09 28 04
MONTH DAY YEAR

SCALE: 1:100,000 DRAWN BY: C.P. REVISED: 00-00-00





LEGEND:

- EXISTING ROAD
- PROPOSED ACCESS ROAD
- POWERLINE OVERHEAD

ROBERT L. BAYLESS PRODUCER, LLC.

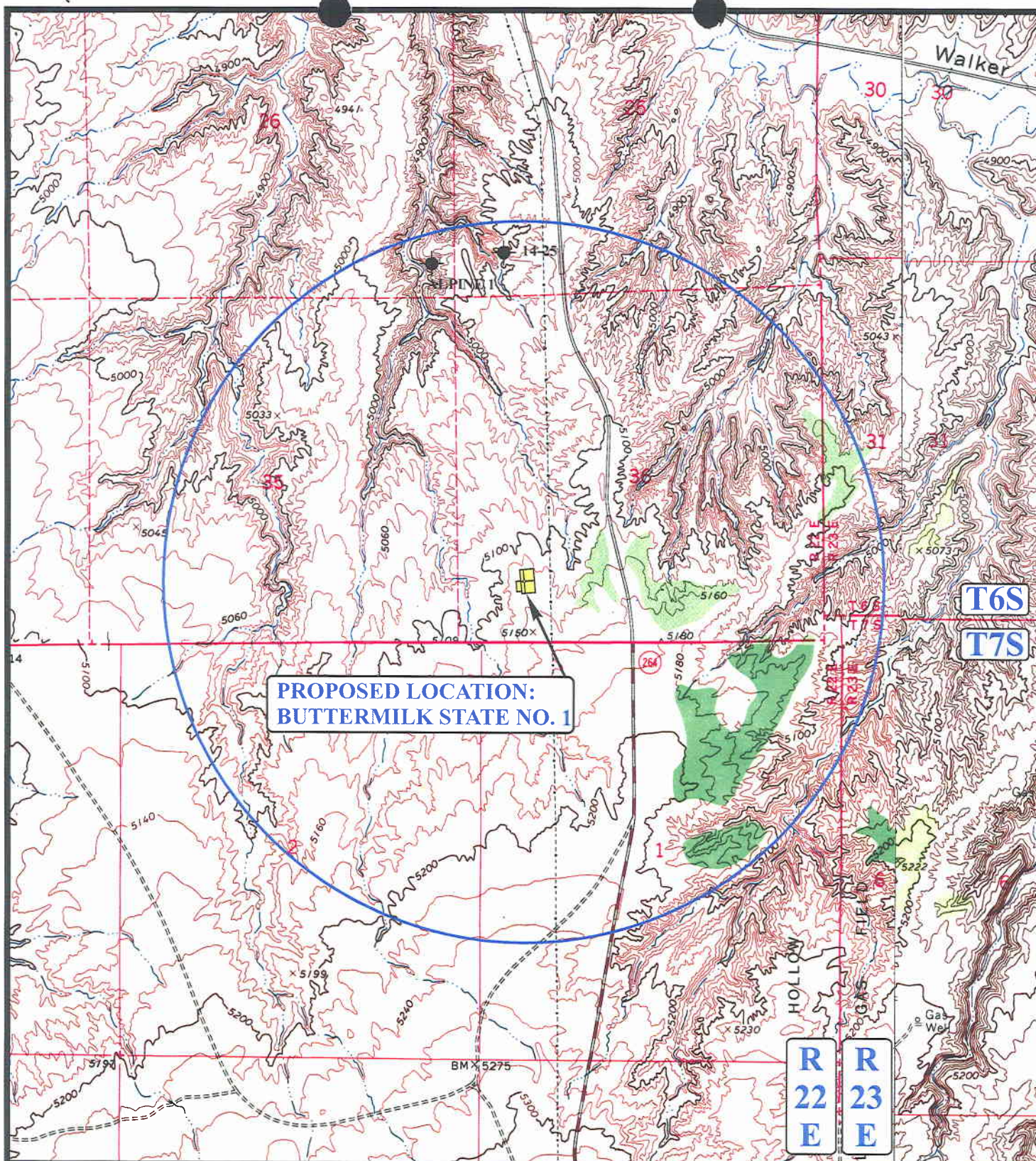
BUTTERMILK STATE NO. 1
SECTION 36, T6S, R22E, S.L.B.&M.
897' FSL 970' FWL



Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP
09 28 04
MONTH DAY YEAR
SCALE: 1" = 2000' DRAWN BY: C.P. REVISED: 00-00-00





LEGEND:

- DISPOSAL WELLS
- PRODUCING WELLS
- SHUT IN WELLS
- WATER WELLS
- ABANDONED WELLS
- TEMPORARILY ABANDONED

ROBERT L. BAYLESS PRODUCER, LLC.

BUTTERMILK STATE NO. 1
SECTION 36, T6S, R22E, S.L.B.&M.
897' FSL 970' FWL



Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813



TOPOGRAPHIC		09	28	04	C TOPO
MAP		MONTH	DAY	YEAR	
SCALE: 1" = 2000'		DRAWN BY: C.P.		REVISED: 00-00-00	

WORKSHEET

APPLICATION FOR PERMIT TO DRILL

003

APD RECEIVED: 10/22/2004

API NO. ASSIGNED: 43-047-36021

WELL NAME: BUTTERMILK ST #1

OPERATOR: BAYLESS, ROBERT L PROD (N7950)

CONTACT: TOM MCCARTHY

PHONE NUMBER: 505-326-2659

PROPOSED LOCATION:

SWSW 36 060S 220E

SURFACE: 0897 FSL 0970 FWL

BOTTOM: 0897 FSL 0970 FWL

UINTAH

UNDESIGNATED (2)

LEASE TYPE: 3 - State

LEASE NUMBER: ML-47038

SURFACE OWNER: 3 - State

PROPOSED FORMATION: GRRV

COALBED METHANE WELL? NO

INSPECT LOCATN BY: / /

Tech Review	Initials	Date
Engineering	DJED	2/18/05
Geology		
Surface		

LATITUDE: 40.25250

LONGITUDE: -109.3948

RECEIVED AND/OR REVIEWED:

- ☒ Plat
☒ Bond: Fed[] Ind[] Sta[] Fee[]
 (No. 141769447)
☒ Potash (Y/N)
☒ Oil Shale 190-5 (B) or 190-3 or 190-13
☒ Water Permit
 (No. 49-2166)
☒ RDCC Review (Y/N)
 (Date: _____)
☒ Fee Surf Agreement (Y/N)

LOCATION AND SITING:

___ R649-2-3.

Unit _____

___ R649-3-2. General

Siting: 460 From Qtr/Qtr & 920' Between Wells

___ R649-3-3. Exception

☒ Drilling UnitBoard Cause No: 145-5Eff Date: 6-20-1985Siting: 500' fr 1/4 Section boundary

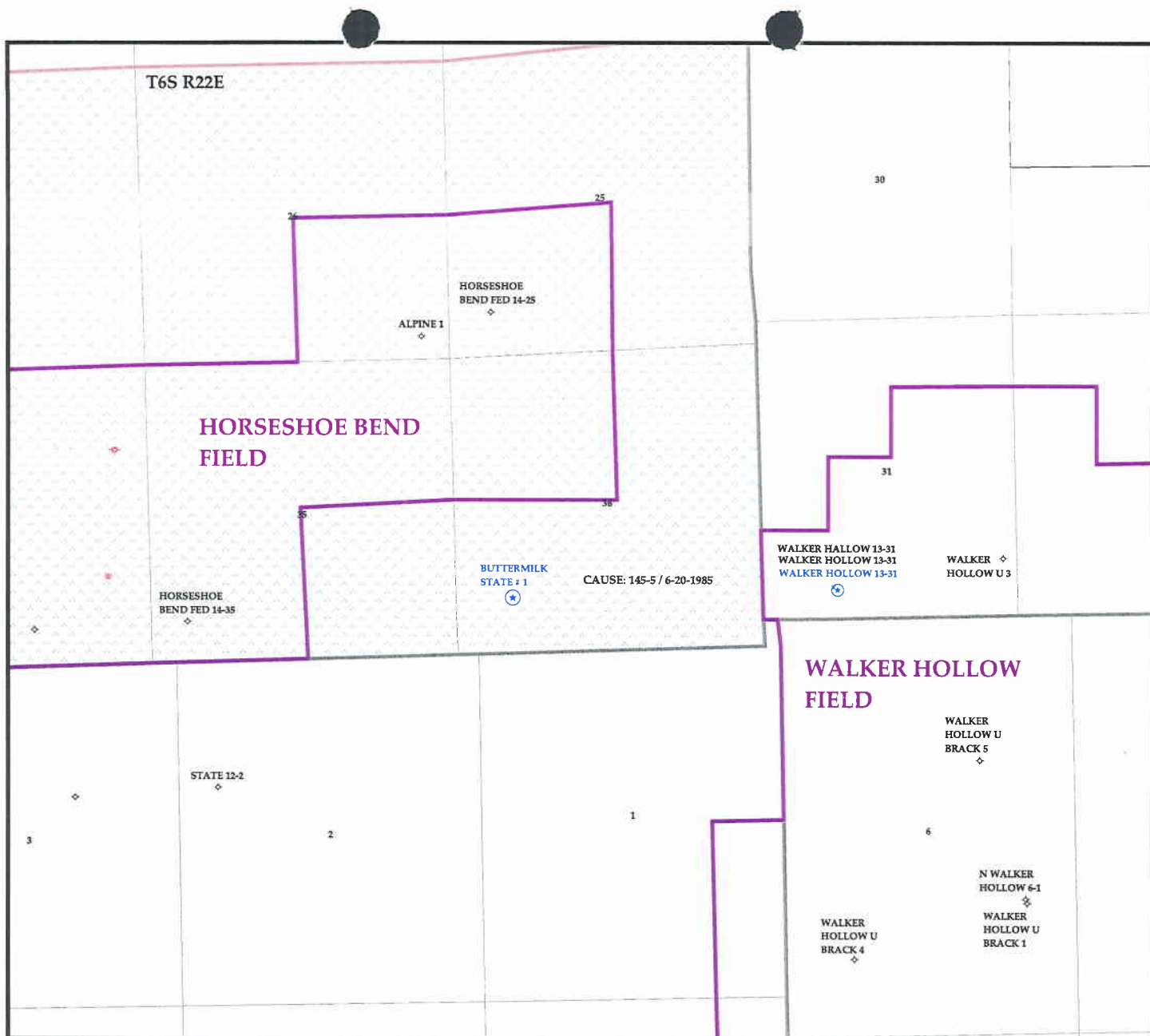
___ R649-3-11. Directional Drill

COMMENTS:

Needs Price (11-10-04)

STIPULATIONS:

1- STATEMENT OF BASIS



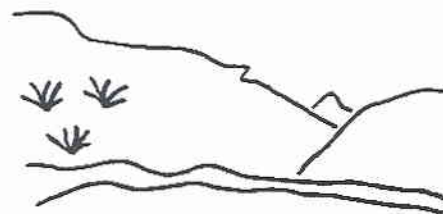
OPERATOR: ROBERT L BAYLESS (N7950)

SEC. 36 T.6S R.22E

FIELD: UNDESIGNATED (002)

COUNTY: UINTAH

CAUSE: 145-5 / 6-20-1985



Utah Oil Gas and Mining

Wells

- ✱ GAS INJECTION
- ✱ GAS STORAGE
- ✱ LOCATION ABANDONED
- ⊕ NEW LOCATION
- ⊕ PLUGGED & ABANDONED
- ✱ PRODUCING GAS
- PRODUCING OIL
- ✱ SHUT-IN GAS
- ✱ SHUT-IN OIL
- ✱ TEMP. ABANDONED
- TEST WELL
- ⬆ WATER INJECTION
- ⬆ WATER SUPPLY
- ⬆ WATER DISPOSAL

Units.shp

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

Fields.shp

- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED



PREPARED BY: DIANA WHITNEY
DATE: 22-OCTOBER-2004

**Evaluation Ranking Criteria and Ranking Score
For Reserve and Onsite Pit Liner Requirements**

<u>Site-Specific Factors</u>	<u>Ranking</u>	<u>Site Ranking</u>
Distance to Groundwater (feet)		
>200	0	
100 to 200	5	
75 to 100	10	
25 to 75	15	
<25 or recharge area	20	<u>5</u>
Distance to Surf. Water (feet)		
>1000	0	
300 to 1000	2	
200 to 300	10	
100 to 200	15	
< 100	20	<u>0</u>
Distance to Nearest Municipal Well (feet)		
>5280	0	
1320 to 5280	5	
500 to 1320	10	
<500	20	<u>0</u>
Distance to Other Wells (feet)		
>1320	0	
300 to 1320	10	
<300	20	<u>0</u>
Native Soil Type		
Low permeability	0	
Mod. permeability	10	
High permeability	20	<u>10</u>
Fluid Type		
Air/mist	0	
Fresh Water	5	
TDS >5000 and <10000	10	
TDS >10000 or Oil Base Mud Fluid	15	
containing significant levels of hazardous constituents	20	<u>5</u>
Drill Cuttings		
Normal Rock	0	
Salt or detrimental	10	<u>0</u>
Annual Precipitation (inches)		
<10	0	
10 to 20	5	
>20	10	<u>0</u>
Affected Populations		
<10	0	
10 to 30	6	
30 to 50	8	
>50	10	<u>0</u>
Presence of Nearby Utility Conduits		
Not Present	0	
Unknown	10	
Present	15	<u>15</u>

Final Score 35 (Level 1 Sensitivity)

Sensitivity Level I = 20 or more; total containment is required.

Sensitivity Level II = 15-19; lining is discretionary.

Sensitivity Level III = below 15; no specific lining is required.





02-05 Bayless Buttermilk S1

Casing Schematic

Uinta

Surface

8-5/8"
MW 8.4
Frac 19.3

TOC @
227.
Surface
250. MD

TOC @
0.

w/18% Washout

BHP

$$(0.05)(8.9)(3335) = 1543$$

Anticipated 1100

Gas

$$(0.12)(3335) = 400$$

w/15% Washout

$$MASP = 1143$$

$$BOPE = 2000 \checkmark$$

$$\text{Surf csg} - 2950$$

$$70\% = 2065$$

$$\text{Max pressure @ shoe} = 865$$

Test TO 800# \checkmark

Adequate DWD

2/18/05

4-1/2"
MW 8.9

3235 Green River

Production
3335. MD

BMSW 4600'

Well name:

02-05 Bayless Buttermilk St 1Operator: **Robert L. Bayless Production**String type: **Surface**

Project ID:

43-047-36021

Location: **Uintah County****Design parameters:****Collapse**

Mud weight: 8.400 ppg

Design is based on evacuated pipe.

Minimum design factors:**Collapse:**

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No

Surface temperature: 75 °F

Bottom hole temperature: 78 °F

Temperature gradient: 1.40 °F/100ft

Minimum section length: 250 ft

Cement top: Surface

Burst

Max anticipated surface pressure:

396 psi

Internal gradient: 0.120 psi/ft

Calculated BHP 426 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)

8 Round LTC: 1.80 (J)

Buttress: 1.60 (J)

Premium: 1.50 (J)

Body yield: 1.50 (B)

Non-directional string.

Re subsequent strings:

Next setting depth: 3,335 ft

Next mud weight: 8.900 ppg

Next setting BHP: 1,542 psi

Fracture mud wt: 19.250 ppg

Fracture depth: 450 ft

Injection pressure 450 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	250	8.625	24.00	J-55	ST&C	250	250	7.972	12
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	109	1370	12.558	426	2950	6.92	5	244	46.53 J

Prepared by: Clinton Dworshak
Utah Div. of Oil & MiningPhone: 810-538-5280
FAX: 801-359-3940Date: February 17, 2005
Salt Lake City, Utah**Remarks:**

Collapse is based on a vertical depth of 250 ft, a mud weight of 8.4 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:

02-05 Bayless Buttermilk St 1Operator: **Robert L. Bayless Production**String type: **Production**

Project ID:

43-047-36021

Location: **Uintah County****Design parameters:****Collapse**

Mud weight: 8.900 ppg

Design is based on evacuated pipe.

Minimum design factors:**Collapse:**

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No

Surface temperature: 75 °F

Bottom hole temperature: 122 °F

Temperature gradient: 1.40 °F/100ft

Minimum section length: 1,500 ft

Cement top: 227 ft

Burst

Max anticipated surface pressure:

1,142 psi

Internal gradient: 0.120 psi/ft

Calculated BHP 1,542 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)

8 Round LTC: 1.80 (J)

Buttress: 1.60 (J)

Premium: 1.50 (J)

Body yield: 1.50 (B)

Non-directional string.

Tension is based on buoyed weight.

Neutral point: 2,893 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft ³)
1	3335	4.5	10.50	J-55	Buttress	3335	3335	3.927	69.7
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	1542	4010	2.601	1542	4790	3.11	30	166	5.45 B

Prepared by: Clinton Dworshak
Utah Div. of Oil & MiningPhone: 810-538-5280
FAX: 801-359-3940Date: February 17, 2005
Salt Lake City, Utah**Remarks:**

Collapse is based on a vertical depth of 3335 ft, a mud weight of 8.9 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

**DIVISION OF OIL, GAS AND MINING
APPLICATION FOR PERMIT TO DRILL
STATEMENT OF BASIS**

OPERATOR: ROBERT L. BAYLESS PRODUCER, LLC
WELL NAME & NUMBER: BUTTERMILK STATE #1
API NUMBER: 43-047-36021
LOCATION: 1/4, 1/4 SW/SW Sec: 36 TWP: 6S RNG: 22E 970' FWL 897' FSL

Geology/Ground Water:

Bayless proposes to set 250' of surface casing at this location. The depth to the base of the moderately saline water at this location is estimated to be at a depth of 4,600'. A search of Division of Water Rights records shows no water wells within a 10,000 foot radius of the proposed location. The surface formation at this site is the Uinta Formation. The Uinta Formation is made up of interbedded shales and sandstones. The sandstones are mostly lenticular and discontinuous and should not be a significant source of useable ground water.

Reviewer: Brad Hill **Date:** 11/16/04

Surface:

The predrill investigation of the surface was performed on 11/10/04. Floyd Bartlett with DWR and Ed Bonner with SITLA were invited to this investigation on 10/29/04. Mr. Bartlett was present. SITLA did not have a representative present. Mr. Bartlett presented Mr. Hamilton a DWR recommended seed mix to be used when reserve pit is reclaimed and for the access road shoulders. Mr. Bartlett also suggested that activity be kept at a minimum between March 15 and June 30 because of the possibility of active hawk nests in the area. There is also a power line 300 feet to the east. I spoke with David Gurr with Deseret Power concerning the proximity to this transmission line. He told me that 300 feet puts the well off of their right-of-way, and there shouldn't be a problem.

Reviewer: David W. Hackford **Date:** 11/15/2004

Conditions of Approval/Application for Permit to Drill:

1. A synthetic liner with a minimum thickness of 12 mils shall be properly installed and maintained in the reserve pit.

ON-SITE PREDRILL EVALUATION
Division of Oil, Gas and Mining

OPERATOR: ROBERT L. BAYLESS, PRODUCER LLC
WELL NAME & NUMBER: BUTTERMILK STATE #1
API NUMBER: 43-047-36021
LEASE: ML-47038 FIELD/UNIT: UNDESIGNATED
LOCATION: 1/4, 1/4 SW/SW sec: 36 TWP: 6S RNG: 22E 970' FW 897' FSL
LEGAL WELL SITING: 500' from quarter section boundary.
GPS COORD (UTM): 4456814N 636517E SURFACE OWNER: STATE OF UTAH

PARTICIPANTS

DAVID W. HACKFORD (DOGM), DAN HAMILTON (BAYLESS), FLOYD BARTLETT (DWR).

REGIONAL/LOCAL SETTING & TOPOGRAPHY

SITE IS IN AN AREA WITH VERY SHALLOW DRAWS AND LOW RIDGES DRAINING TO THE NORTH. THESE SHALLOW DRAWS ENTER WALKER HOLLOW TWO MILES TO THE NORTH, AND WALKER HOLLOW ENTERS THE GREEN RIVER THREE MILES TO THE NORTH. JENSEN, UTAH IS NINE MILES TO THE NORTHEAST, AND THE RED WASH FIELD CAMP IS FIVE MILES TO THE SOUTHEAST. STATE HIGHWAY 45 IS ONE MILE TO THE SOUTHWEST.

CURRENT SURFACE USE: WILDLIFE AND LIVESTOCK GRAZING, HUNTING.

PROPOSED SURFACE DISTURBANCE: LOCATION WILL BE 350' BY 268'. ACCESS ROAD WILL BE 0.3 MILES.

LOCATION OF EXISTING WELLS WITHIN A 1 MILE RADIUS: SEE ATTACHED MAP FROM GIS DATABASE.

LOCATION OF PRODUCTION FACILITIES AND PIPELINES: ALL PRODUCTION FACILITIES WILL BE ON LOCATION AND ADDED AFTER DRILLING WELL. IF A PIPELINE IS NEEDED FOR THIS WELL, IT WILL BE PERMITTED AT A LATER TIME.

SOURCE OF CONSTRUCTION MATERIAL: ALL MATERIAL WILL BE BORROWED FROM SITE DURING CONSTRUCTION.

ANCILLARY FACILITIES: NONE WILL BE REQUIRED.

WASTE MANAGEMENT PLAN:

DRILLED CUTTINGS WILL BE SETTLED INTO THE RESERVE PIT. LIQUIDS FROM PIT WILL BE ALLOWED TO EVAPORATE OR TRUCKED FROM LOCATION. FORMATION WATER WILL BE CONFINED TO STORAGE TANKS. SEWAGE FACILITIES, STORAGE AND DISPOSAL WILL BE HANDLED BY COMMERCIAL CONTRACTOR. TRASH WILL BE CONTAINED IN TRASH BASKETS AND HAULED TO AN APPROVED LAND FILL.

ENVIRONMENTAL PARAMETERS

AFFECTED FLOODPLAINS AND/OR WETLANDS: NONE

FLORA/FAUNA: SAGE, GREASEWOOD, JUNIPER, HORSEBRUSH, SALTBRUSH, NATIVE GRASSES: PRONGHORN, COYOTES, SONGBIRDS, RAPTORS, RODENTS, RABBITS, DEER.

SOIL TYPE AND CHARACTERISTICS: LIGHT BROWN SANDY CLAY LOAM.

EROSION/SEDIMENTATION/STABILITY: VERY LITTLE NATURAL EROSION. SEDIMENTATION AND STABILITY ARE NOT A PROBLEM AND LOCATION CONSTRUCTION SHOULDN'T CAUSE AN INCREASE IN STABILITY OR EROSION PROBLEMS.

PALEONTOLOGICAL POTENTIAL: NONE OBSERVED.

RESERVE PIT

CHARACTERISTICS: RESERVE PIT WILL BE 140' BY 70' AND 10' DEEP.

LINER REQUIREMENTS (Site Ranking Form attached): A 12 MIL LINER WILL BE REQUIRED FOR THE RESERVE PIT.

SURFACE RESTORATION/RECLAMATION PLAN

AS PER SITLA.

SURFACE AGREEMENT: AS PER SITLA.

CULTURAL RESOURCES/ARCHAEOLOGY: SITE WAS INSPECTED BY SINCO PHOENIX. A REPORT OF THIS INVESTIGATION WILL BE PLACED ON FILE.

OTHER OBSERVATIONS/COMMENTS

THIS PREDRILL INVESTIGATION WAS CONDUCTED ON A COOL, CLOUDY DAY.

ATTACHMENTS

PHOTOS OF THIS SITE WERE TAKEN AND PLACED ON FILE.

DAVID W. HACKFORD
DOGM REPRESENTATIVE

11/10/04. 10:15 AM
DATE/TIME

From: Ed Bonner
To: Whitney, Diana
Date: 11/15/2004 11:36:33 AM
Subject: Well Clearance

The following wells have been given cultural resource clearance by the Trust Lands Cultural Resources Group:

Robert L Bayless, Producer LLC
Buttermilk State #1

Westport Oil & Gas Company
NBU 1021-16M

The Houston Exploration Company
Bonanza 4-29

ConocoPhillips Company
Utah 33-530

Crescendo Energy, LLC
State #2-3

Gasco Production Company
Desert Spring State 41-36-9-18

If you have any questions regarding this matter please give me a call.

CC: Garrison, LaVonne; Hill, Brad; Hunt, Gil



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

MARY ANN WRIGHT
Acting Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

February 18, 2005

Robert L. Bayless, Producer LLC
P O Box 168
Farmington, NM 87499

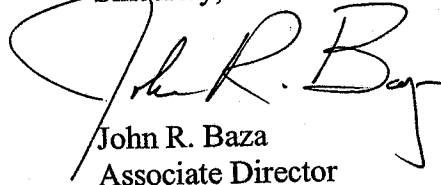
Re: Buttermilk State #1 Well, 897' FSL, 970' FWL, SW SW, Sec. 36, T. 6 South,
R. 22 East, Uintah County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-047-36021.

Sincerely,


John R. Baza
Associate Director

pab
Enclosures

cc: Uintah County Assessor
SITLA

Operator: Robert L. Bayless, Producer LLC
Well Name & Number Buttermilk State #1
API Number: 43-047-36021
Lease: ML-47038

Location: SW SW Sec. 36 T. 6 South R. 22 East

Conditions of Approval

1. **General**

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for Permit to Drill.

2. **Notification Requirements**

The operator is required to notify the Division of Oil, Gas and Mining of the following actions during drilling of this well:

- 24 hours prior to cementing or testing casing
- 24 hours prior to testing blowout prevention equipment
- 24 hours prior to spudding the well
- within 24 hours of any emergency changes made to the approved drilling program
- prior to commencing operations to plug and abandon the well

The following are Division of Oil, Gas and Mining contacts and their work telephone numbers (please leave a voice mail message if the person is not available to take the call):

- Dan Jarvis at (801) 538-5338
- Carol Daniels at (801) 538-5284 (spud)

3. **Reporting Requirements**

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.

5. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)



State of Utah

**Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

March 31, 2006

Tom McCarthy
Robert L. Bayless, Prod. LLC
P.O. Box 168
Farmington, NM 87499

Re: APD Rescinded -Buttermilk St #1 Sec. 36, T. 6S R. 22E
Uintah County, Utah API No. 43-047-36021

Dear Mr. McCarthy:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on February 18, 2005. On March 29, 2006, you requested that the division rescind the state approved APD. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective March 29, 2006.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,

Diana Whitney
Engineering Technician

cc: Well File
SITLA, Ed Bonner